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**Ways & Means Committee**

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**HB 1453**

**Brief Description:** Eliminating the health services account, violence reduction and drug enforcement account, and water quality account.

**Sponsors:** Representative Dunshee; by request of Office of Financial Management.

**Brief Summary of Bill**

- Abolishes and consolidates into the state General Fund the following accounts: Health Services Account, Violence Reduction and Drug Enforcement Account, and Water Quality Account.

**Hearing Date:** 2/5/09

**Staff:** Kristen Fraser (786-7148)

**Background:**

Accounts

Most state revenue is deposited in the state General Fund. In addition, the Legislature has created a number of dedicated funds to support specific state programs.

The Health Services Account was established by the Legislature in 1993 to provide funding for health services including health care for low-income residents, the public health system, tobacco prevention and control, and the basic health plan. The primary revenue sources of the Health Services Account are cigarette and tobacco products taxes, alcohol taxes, a health insurance premium tax, and hospital business and occupation taxes. The Health Services Account is subject to the state expenditure limit under Initiative 601.

The Violence Reduction and Drug Enforcement Account was established by the Legislature in 1989 to provide funding for public safety programs including drug and alcohol abuse prevention programs, juvenile rehabilitation programs, and local public safety grants. The primary revenue

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sources of the Violence Reduction and Drug Enforcement Account are cigarette and alcohol taxes, firearm license fees, the soda syrup tax, and the proceeds of drug forfeitures and seizures. The Violence Reduction and Drug Enforcement Account is subject to the state expenditure limit under Initiative 601.

The Water Quality Account was established by the Legislature in 1986 to provide funding for grants and loans to public entities for water pollution control facilities and activities. The primary revenue sources of the Water Quality Account are cigarette taxes, sales taxes on components of certain water pollution control facilities, and loan repayments. The Water Quality Account is subject to the state expenditure limit under Initiative 601.

### Expenditure Limit

Initiative 601 established a state expenditure limit. As subsequently amended, the expenditure limit applies to the General Fund and to several "related funds": the Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Subaccount), and the Student Achievement Account.

### General State Revenues

The term "general state revenues" is defined in the state Constitution as all state revenues that are not dedicated to a particular purpose, with certain additional exclusions. General state revenues thus consist of all revenues to the state General Fund, with the exception of state property tax revenues, which are dedicated to the common school system.

The amount of general state revenues affects the calculation of: 1) the constitutional and statutory state debt limits; and 2) the amount of the annual deposit into the Budget Stabilization Account (also known as the "rainy day fund").

Because the three accounts described above are statutorily dedicated to particular purposes, they are not included in the calculation of general state revenues for purposes of the state debt limit and deposits to the Budget Stabilization Account.

### **Summary of Bill:**

On July 1, 2009, the following state accounts are abolished and any remaining balances are transferred to the state General Fund: the Health Services Account, the Violence Reduction and Drug Enforcement Account, and the Water Quality Account.

Revenues previously deposited to these accounts will be deposited in the state General Fund.

As a result of the fund consolidation and to the extent that these revenues are no longer statutorily dedicated to a particular purpose, the inclusion of these revenues in the state General Fund will increase the state debt limit and the amount of annual deposits to the Budget Stabilization Account.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.